



THE TIMES 100

Building Societies Association brief

Introduction

Building societies date back almost 250 years. They were set up to help people with finances to build their own houses. These original societies closed when members were housed. Later, they started to accept savings from people not looking to build. These became the permanent societies that we know today. They take deposits and lend money to those who want to buy their own home. In 1869, the Building Societies Association was set up. This represents all the societies.

The main way to buy a house is by taking out a mortgage. This is a long-term loan. It will be secured on the house that is purchased. There are two parts to a mortgage. There is

- the capital, which is the amount of the loan
- the interest on the loan

The most common type of mortgage is called a repayment mortgage. This pays off the interest plus a small part of the capital each month.

Up to the 1980s, building societies were the only organisations allowed to lend money for house purchase. Once certain regulations were removed, banks also came into the mortgage market. At the same time, building societies could convert to banks if they wished. Both banks and building societies now provide mortgages.

Types of organisation

Building societies are mutual organisations. This is a different form of ownership to other businesses, which include:

- Sole traders . with a single owner
- Partnerships . between 2 to 20 owners
- Limited liability companies . these have their responsibility for debt limited to the company. They are also legally separate from their owners. They may be private or public (plcs). Plcs offer shares for sale to the public through the stock exchange.

Mutuals

Mutuals have members that are both the owners and the customers of the business. They do not have shareholders. They do not pay dividends, but invest profits back into the business. This lets them provide better rates on their products. Many people think mutuals are more friendly than banks. They like the personal service that they can obtain at a branch. In contrast, many banks have closed branches down.

Stakeholders

The stakeholders of a business are any group or individual that has an interest in its activities. In the case of banks, a major group will be the shareholders. Shareholders will share in the profits of the bank. The banks' main aim will be to make profit rather than provide service. Building societies, on the other hand, can focus on better service. They also have a focus on corporate responsibility. For instance, many help local groups and charities.

Raising finance

A bank, as a plc, raises finance by selling shares. A building society, as a mutual, has the majority of its funds provided by savers. Banks also operate in the money markets, as do some building societies.



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Conclusion

Building societies are mutuals. This is just one type of business organisation. Their members are both their owners and their customers. They provide a different service to banks. Their approach is designed to be more friendly and personal.